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Thailand

Cotton and Products Annual

2015

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Report Highlights:

TH5041: Thailand's MY2015/16 cotton imports are forecast to increase slightly from level's in MY2014/15. Slower sales of cotton yarn and fabric in MY2014/15 will likely leave spinners with large inventories of cotton-fiber yarn. As a result, spinners are expected to continue operating at only 65 percent of capacity.

Executive Summary:

MY2015/16 cotton imports are forecast to increase only around 1 percent after a downturn in MY2014/15. Spinners are expected to continue operating at only 65 percent of capacity in anticipation of large inventories of cotton-fiber yarn carried over from MY2014/15. Imports of U.S. cotton are likely to increase to around 365,000 bales as large spinners diversify their production to superior medium and fine-count yarn.

MY2014/15 cotton imports are expected to be down 100,000 bales from MY2013/14 due to Thailand's vulnerable economic recovery and the shutdown of spinning facilities. The economic expansion in 2015 is slow due to lower-than-expected growth of government and private expenditure and exports. Spinners are operating at around 63 percent of full capacity due to slower domestic and export sales of cotton yarn and fabric in the first half of MY2014/15. Some spinners, which account for approximately 10 percent of total cotton-fiber yarn production, closed their spinning facilities. Imports of U.S. cotton are expected to decline significantly to around 350,000 bales compared to 530,639 bales in MY2013/14 as spinners limit their purchase to cheap cotton from other origins to curtail their losses.

Commodities:

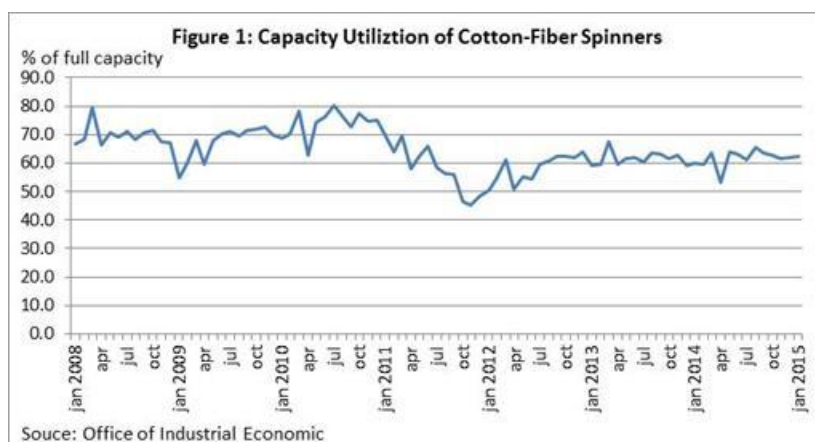
Cotton

Author Defined:**Section 1: Situation and Outlook for Upland and Value-Added cotton****1. Production**

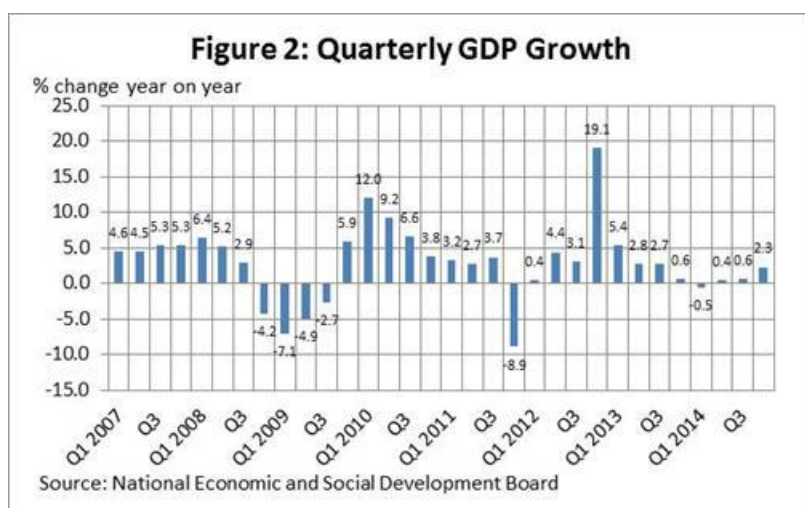
Cotton production in Thailand is marginal at 1,500 to 1,600 metric tons (2,300 – 2,500 bales). This production accounts for less than one percent of total demand. Thai farmers prefer cultivating cassava and sugarcane due to relatively higher returns they received vis-a-vis cotton. The government still bans the use of transgenic varieties. Also, there is no domestic support program specifically for cotton farmers.

2. Consumption

MY2015/16 cotton consumption is likely to increase 3 percent from MY2014/15 in anticipation of moderate economic recovery. According to the most recent economic forecast by the Bank of Thailand, the Thai economy is expected to grow only 3.9 percent in 2016 which is below an average annual economic growth of 4.6 percent in the past decade. Sources expect the spinning industry to slowly recover from the downturn over the past three years when spinners were adversely affected by high production costs which resulted from inventories of cotton purchased at record high prices in 2011 and contract default problems. Average capacity utilization is forecast to increase only marginally to 65 percent of in MY2015/16, up slightly from an average of 60 percent during MY2011/12 – MY2014/15 (Figure 1). The increase is still far below normal rate of 70-80 percent. This is mainly the result of large inventories of cotton yarn carried over from MY2014/15. Meanwhile large spinners, who have replaced old machines with automated machines, will produce more superior medium and fine-count yarn which is still competitive in export market.

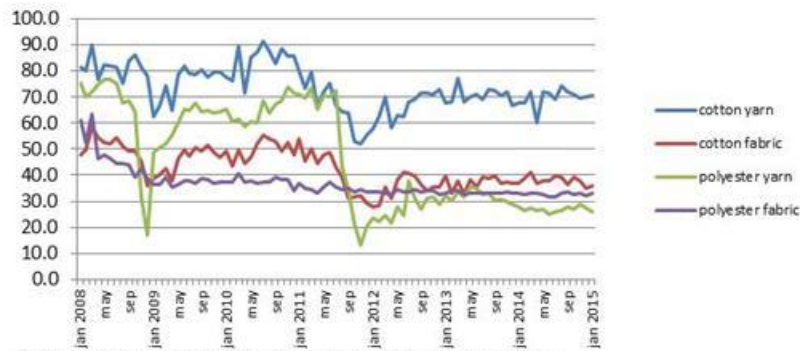


MY2014/15 cotton consumption is likely to decline to around 1.5 million bales, down 4 percent from 2013/14, due to vulnerable economic recovery. The government revised down the GDP growth to 0.7 percent for 2014 (Figure 2). Also, signs of economic recovery in the first half of 2015 remain uncertain despite the government forecast of 3.5 to 4.5 percent growth.



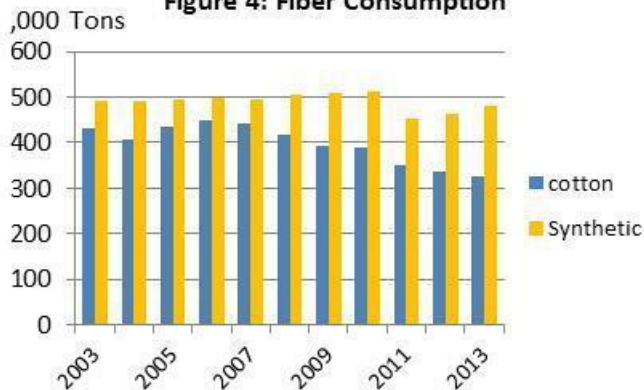
In the first half of MY2014/15, production of cotton and cotton-blended yarn declined 3 to 4 percent (Figure 3) based on Manufacturing Production Index reported by the Office of Industrial Economics. Spinning mills are operating at around 63 percent of capacity, compared to the normal rate of 70-80 percent due to slower domestic and export sales of cotton yarn and fabric. Domestic sales of cotton yarn declined around 3.5 percent from previous year. Exports of cotton yarn and fabric declined approximately 20 - 30 percent in the first five month of MY2014/15. Some spinners, particularly medium-scale coarse-count yarn manufacturers, reportedly operated at losses due to competition from relatively cheaper imported cotton yarn from China. While synthetic-fiber yarn production declined 5-10 percent from the same period last year, its market share is expected to continue to increase due to its relatively cheaper prices compared to cotton-fiber yarn. In 2013, the market share of cotton-fiber yarn declined to 40 percent of total yarn consumption, compared to 42 percent in 2012 (Figure 4).

Figure 3: Production Index of Cotton and Polyester Textile



Source: Office of Industrial Economics, Ministry of Industry

Figure 4: Fiber Consumption



Source: Thailand Textile Institute

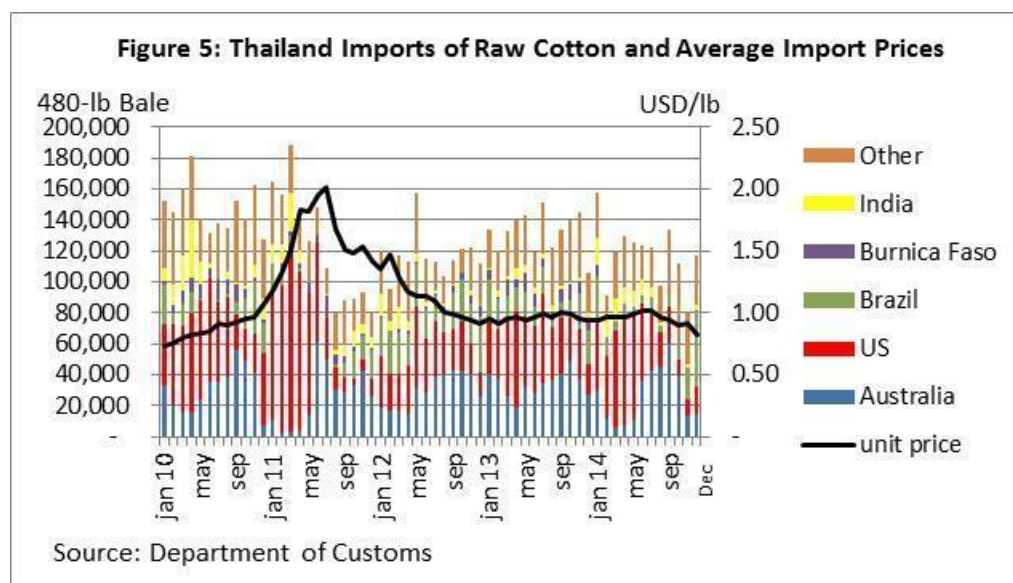
In the second half of MY2014/15 cotton consumption will likely decline further due to the shutdown of uncompetitive spinning and garment manufacturers. Spinners who left the industry reportedly account for around 10 percent of total yarn production. Although some spinning and weaving facilities were taken over, the sector is reportedly operating at only around 30 percent of full production capacity, producing mostly coarse-count cotton yarn. Meanwhile, garment manufacturers who have relocated to neighboring countries since 2012, as a result of the increase in Thai minimum wages, are currently producing at full capacity due to comparative advantage on labor cost and the duty-free trade privileges under the Generalized System of Preferences (GSP) with European countries. However, the linkage to Thai spinning and weaving industries is reportedly limited as industries in neighboring countries import relatively cheaper fabric from China and Korea. Meanwhile, Thai garment's export competitiveness in European market will be negatively impacted by expiration of GSP on January 1, 2015 resulting in a higher tariff on garment product (12% compared to 2.4% under GSP).

3. Trade

MY2015/16 cotton imports are forecast to increase only 1 to 2 percent from MY2014/15. Spinners are expected to continue limiting their purchases for immediate use in anticipation of large inventories of cotton yarn. Imports of U.S. cotton are expected to increase to 365,000 bales, up around 4 percent from MY2014/15 as large spinners will increasingly rely on high quality fiber for their medium and fine-count yarn production.

MY2014/15 cotton imports are likely to decline to around 1.4 million bales, down 6 to 7 percent from MY2013/14 due to economic slowdown and the shutdown of spinning facilities. In the first five months

of MY2014/15, cotton imports fell 10 percent from the same period last year (Figure 5 and Table 2 and 3). Imports of U.S. cotton declined by 43 percent as spinners limited their purchase to cheap cotton, particularly from Brazil, for immediate use. Also, spinners who terminated their operation mainly use U.S. cotton for their yarn production. However, imported cotton from origins other than U.S. and Australian cotton is not suitable for export-oriented textile products. The increase in low quality cotton imports resulted in a reduction of cotton yarn and fabric exports by approximately 20-30 percent in the first five month of MY2014/15 (Table 8 and 11).



Imports of cotton yarn also declined around 9 percent in the first five months of MY2014/15 in line with a reduction in production of cotton fabric and textile products (Figure 3). Import of cotton fabric also declined around 9 percent from the same period last year.

4. Stocks

MY2015/16 cotton stocks are forecast to continue declining to the minimum level of around 1 to 2 months of uses. Spinners will likely continue to limit their purchase for immediate use.

MY2014/15 cotton stocks are likely to decline 16 percent from MY2013/14. Spinners are cautious of building up stocks as world prices of cotton are still under downward pressure. In addition, sales of cotton yarn are lower than expected in the first half of MY2014/15 due to a reduction in domestic and exports of cotton yarn and fabric. Consequently, spinners still hold large inventories of cotton yarn, which are up around 5 percent from the same period last year. Also, spinners still have liquidity problem, particularly those who are on the default list.

Section 2: Statistical Tables

Table 1: Thailand's Cotton Production, Supply and Demand

Cotton	2013/2014		2014/2015		2015/2016		
Market Begin Year	Aug 2013		Aug 2014		Aug 2015		
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	0	1	0	1	0	1	(1000 HA)
Area Harvested	1	1	1	1	0	1	(1000 HA)
Beginning Stocks	243	243	215	243	0	205	1000 480 lb. Bales
Production	2	2	2	2	0	2	1000 480 lb. Bales
Imports	1,546	1,550	1,475	1,450	0	1,470	1000 480 lb. Bales
MY Imports from U.S.	0	531	0	350	0	365	1000 480 lb. Bales
Total Supply	1,791	1,795	1,692	1,695	0	1,677	1000 480 lb. Bales
Exports	1	2	5	5	0	3	1000 480 lb. Bales
Use	1,550	1,525	1,450	1,460	0	1,500	1000 480 lb. Bales
Loss	25	25	25	25	0	25	1000 480 lb. Bales
Total Dom. Cons.	1,575	1,550	1,475	1,485	0	1,525	1000 480 lb. Bales
Ending Stocks	215	243	212	205	0	149	1000 480 lb. Bales
Total Distribution	1,791	1,795	1,692	1,695	0	1,677	1000 480 lb. Bales
Stock to Use %	14.00	15.91	15.00	13.99	0.00	9.91	(PERCENT)
Yield	435.0000	435.0000	435.0000	435.0000	0.0000	435.0000	(KG/HA)

Table 2: Thailand's Imports of Raw Cotton (Marketing Year: August/July)

Unit: 480-lb bale						
	MY2011/12	MY2012/13	MY2013/14	August - December		
				MY2013/14	MY2014/15	% Change
United States	282,144	446,398	530,639	151,049	85,821	-43.2
Australia	325,603	409,080	334,533	189,539	171,770	-9.4
Brazil	228,095	246,196	137,640	68,877	94,984	37.9
India	86,607	34,221	93,615	12,684	8,907	-29.8
Mali	20,730	29,783	86,590	36,825	43,752	18.8
Burkina Faso	23,974	74,522	84,689	42,066	40,015	-4.9
Cote d'Ivoire	21,990	26,422	58,430	22,595	26,898	19.0
Tanzania	16,913	20,743	32,339	18,155	21,152	16.5
Argentina	27,009	21,947	21,696	8,450	17,289	104.6
Pakistan	88,189	16,407	20,556	10,837	17,769	64.0
Other	150,900	188,921	149,798	85,788	51,813	-39.6
World	1,272,153	1,514,639	1,550,525	646,863	580,170	-10.3

Source: Department of Customs

Table 3: Thailand's Imports of Raw Cotton (Marketing Year: August/July)

Unit: Metric Ton						
	MY2011/12	MY2012/13	MY2013/14	August - December		
				MY2013/14	MY2014/15	% Change
United States	61,430	97,193	115,534	32,887	18,686	-43.2
Australia	70,892	89,068	72,837	41,268	37,399	-9.4
Brazil	49,662	53,604	29,968	14,996	20,681	37.9
India	18,857	7,451	20,383	2,762	1,939	-29.8
Mali	4,513	6,484	18,853	8,018	9,526	18.8
Burkina Faso	5,220	16,225	18,439	9,159	8,712	-4.9
Cote d'Ivoire	4,788	5,753	12,722	4,919	5,856	19.0
Tanzania	3,682	4,516	7,041	3,953	4,605	16.5
Argentina	5,881	4,779	4,724	1,840	3,764	104.6
Pakistan	19,201	3,572	4,476	2,360	3,869	64.0
Other	32,855	41,133	32,615	18,678	11,281	-39.6
World	276,981	329,777	337,591	140,839	126,318	-10.3

Source: Department of Customs

Table 4: Thailand's Imports of Raw Cotton (Calendar Year: January - December)

Unit: 480-lb bale								
	2012		2013		2014		% Change	
	,000 US\$	480-lb bale	,000 US\$	480-lb bale	,000 US\$	480-lb bale	,000 US\$	Metric Ton
United States	200,973	356,566	225,994	476,382	228,293	465,412	1.0	-2.3
Australia	198,530	356,036	188,417	406,835	146,198	316,764	-22.4	-22.1
Brazil	171,411	290,097	90,634	190,218	73,078	163,748	-19.4	-13.9
Mali	6,523	12,346	28,040	61,977	41,743	93,517	48.9	50.9
India	25,623	58,219	18,109	40,917	38,746	89,838	114.0	119.6
Burkina Faso	15,234	32,341	40,593	91,996	35,108	82,638	-13.5	-10.2
Cote d'Ivoire	10,232	21,102	17,040	39,257	27,162	62,733	59.4	59.8
Tanzania	6,326	14,058	14,667	34,251	14,794	35,337	0.9	3.2
Argentina	9,773	25,420	7,197	17,972	12,030	30,535	67.2	69.9
Pakistan	27,407	74,438	7,450	18,567	10,020	27,487	34.5	48.0
Zimbabwe	24,301	41,609	14,205	31,884	5,844	14,353	-58.9	-55.0
Other	60,477	131,235	80,952	177,002	45,394	101,470	-43.9	-42.7
World	756,812	1,413,466	733,297	1,587,258	678,410	1,483,832	-7.5	-6.5

Source: Department of Customs

Table 5: Thailand's Imports of Raw Cotton (Calendar Year: January - December)

Unit: Metric Ton

	2012		2013		2014		% Change	
	,000 US\$	Metric Ton	,000 US\$	Metric Ton	,000 US\$	Metric Ton	,000 US\$	Metric Ton
United States	200,973	77,634	225,994	103,721	228,293	101,332	1.0	-2.3
Australia	198,530	77,518	188,417	88,579	146,198	68,968	-22.4	-22.1
Brazil	171,411	63,162	90,634	41,415	73,078	35,652	-19.4	-13.9
Mali	6,523	2,688	28,040	13,494	41,743	20,361	48.9	50.9
India	25,623	12,676	18,109	8,909	38,746	19,560	114.0	119.6
Burkina Faso	15,234	7,042	40,593	20,030	35,108	17,993	-13.5	-10.2
Cote d'Ivoire	10,232	4,594	17,040	8,547	27,162	13,659	59.4	59.8
Tanzania	6,326	3,061	14,667	7,457	14,794	7,694	0.9	3.2
Argentina	9,773	5,535	7,197	3,913	12,030	6,648	67.2	69.9
Pakistan	27,407	16,207	7,450	4,042	10,020	5,985	34.5	48.0
Zimbabwe	24,301	9,059	14,205	6,942	5,844	3,125	-58.9	-55.0
Other	60,477	28,573	80,952	38,538	45,394	22,093	-43.9	-42.7
World	756,812	307,749	733,297	345,588	678,410	323,070	-7.5	-6.5

Source: Department of Customs

Table 6: Status of Textile Industry in Thailand

	Calendar Year						
	2007	2008	2009	2010	2011	2012	2013
Number of Employment							
- Synthetic fiber	14,280	14,100	14,000	14,300	13,300	12,300	12,200
- Spinning	60,550	60,300	60,075	60,040	57,200	57,010	57,650
- Weaving	53,980	52,770	51,980	51,890	52,160	52,310	52,630
- Knitting	63,320	63,050	62,420	61,790	62,400	62,580	61,900
- Dyeing and Printing	46,630	46,200	45,880	43,860	41,940	41,580	41,330
- Clothing	818,530	812,800	810,850	808,690	795,880	350,000	346,250
TOTAL	1,057,290	1,049,220	1,045,205	1,040,570	1,022,880	575,780	571,960
Number of Textile Machinery							
- Spinning (No. of spindles)	3,879,750	3,875,600	3,779,210	3,669,613	3,770,550	3,700,860	3,750,000
- Weaving (No. of looms)	129,770	129,100	128,300	130,230	131,740	132,200	134,600
- Knitting (No. of machines)	122,394	123,620	123,080	118,150	118,490	119,200	119,160
- Clothing (No. of machines)	749,100	748,490	737,875	736,000	724,250	623,350	623,280

Source: Thailand Textile Institute

Table 7: Thailand's production and consumption of yarn

	Calendar Year							
	2006	2007	2008	2009	2010	2011	2012	2013
Production(TMT)								
Cotton yarn	403.9	397.8	376.7	353.8	351.1	315.9	303.8	293.5
Synthetic yarn	603.6	565.1	587.1	614.0	626.1	493.0	502.3	541.0
Total production	1007.5	962.9	963.8	967.8	977.2	808.9	806.1	834.5
Consumption(TMT)								
Cotton yarn	369.8	349.3	331.6	306.2	308.7	288.7	273.9	230.1
Synthetic yarn	427.0	414.0	439.7	441.6	445.2	395.8	423.8	435.9
Total consumption	796.8	763.3	771.3	747.8	753.9	684.5	697.7	666.0

Source: Thailand Textile Institute

Table 8: Thailand's Exports of Cotton Yarn (Calendar Year: January - December)

	2012		2013		2014		% Change	
	,000 US\$	Metric Ton	,000 US\$	Metric Ton	,000 US\$	Metric Ton	,000 US\$	Metric Ton
China	59,335	19,731	121,546	42,115	91,277	34,146	-24.9	-18.9
Japan	27,747	3,735	27,322	4,850	38,907	6,440	42.4	32.8
Korea South	7,454	1,721	14,217	3,735	14,068	3,853	-1.0	3.2
Sri Lanka	3,892	878	8,546	1,979	5,551	1,415	-35.0	-28.5
Hong Kong	4,735	1,189	5,590	1,575	4,197	1,046	-24.9	-33.6
Vietnam	1,251	176	1,812	290	3,397	611	87.5	110.3
Malaysia	6,454	1,587	7,784	1,822	2,979	710	-61.7	-61.0
United States	2,410	529	4,460	1,055	2,645	705	-40.7	-33.1
Bangladesh	3,941	1,533	4,526	1,389	2,383	787	-47.4	-43.4
Turkey	3,461	725	5,010	1,030	2,258	497	-54.9	-51.7
Philippines	1,582	439	2,891	794	1,918	563	-33.7	-29.1
India	882	230	1,202	307	1,697	420	41.2	37.0
Italy	836	206	3,174	723	1,215	268	-61.7	-62.9
Indonesia	837	128	1,177	184	1,204	253	2.4	37.4
Egypt	1,107	252	1,272	304	956	248	-24.9	-18.4
Portugal	158	38	1,199	262	863	222	-28.0	-15.1
Other	4,612	810	5,769	1,407	4,513	829	-21.8	-41.0
World	130,693	33,908	217,495	63,821	180,028	53,013	-17.2	-16.9

Source: Department of Customs

Table 9: Thailand's Imports of Cotton Yarn (Calendar Year: January - December)

	2012		2013		2014		% Change	
	,000 US\$	Metric Ton	,000 US\$	Metric Ton	,000 US\$	Metric Ton	,000 US\$	Metric Ton
China	26,149	3,839	27,805	3,657	30,024	4,397	8.0	20.2
India	11,317	3,001	15,749	3,848	17,183	4,544	9.1	18.1
Japan	3,635	765	3,646	867	3,177	821	-12.8	-5.3
Pakistan	8,086	2,731	2,425	845	2,997	1,134	23.6	34.2
Vietnam	9,361	2,873	2,294	624	2,425	627	5.7	0.5
Egypt	2,528	448	2,455	412	1,109	154	-54.8	-62.7
Indonesia	1,761	367	3,257	611	963	164	-70.4	-73.2
Taiwan	416	57	424	50	384	41	-9.4	-17.8
Italy	416	14	449	16	324	16	-28.0	-4.7
Korea South	325	65	101	15	183	14	81.2	-3.6
Hong Kong	1,443	100	208	15	166	13	-20.2	-10.8
Other	1,032	116	1,382	204	597	62	-56.8	-69.5
World	66,469	14,375	60,195	11,166	59,532	11,988	-1.1	7.4

Source: Department of Customs

Table 10: Thailand's production and consumption of woven fabric

	Calendar Year						
	2007	2008	2009	2010	2011	2012	2013
Production (TMT)							
Cotton fabric	220.8	209.4	192.4	197.9	185.6	176.0	148.8
Synthetic fabric	261.7	227.6	277.5	285.4	254.5	272.7	281.9
Total production	482.5	437.0	469.9	483.3	440.1	448.7	430.7
Consumption (TMT)							
Cotton fabric	205.8	204.6	173.6	189.0	177.5	170.4	129.1
Synthetic fabric	238.3	264.1	262.7	272.5	252.5	294.1	288.9
Total consumption	444.1	468.7	436.3	461.5	430.0	464.5	418.0

Source: Thailand Textile Institute

Table 11: Thailand's Exports of Cotton Fabric (Calendar Year: January - December)

	2012		2013		2014		% Change	
	,000 US\$	Metric Ton	,000 US\$	Metric Ton	,000 US\$	Metric Ton	,000 US\$	Metric Ton
Myanmar	55,925	6,539	65,046	7,728	62,961	7,609	-3.2	-1.5
Bangladesh	42,581	6,024	46,070	6,705	45,380	5,568	-1.5	-17.0
Vietnam	29,364	2,855	44,501	4,466	34,786	3,490	-21.8	-21.9
Japan	13,153	1,545	18,412	2,577	19,578	2,683	6.3	4.1
Netherlands	12,872	1,058	14,965	1,261	15,151	1,127	1.2	-10.6
United States	10,865	1,464	12,192	1,765	12,509	1,629	2.6	-7.7
Cambodia	13,381	1,531	18,384	2,225	10,401	1,237	-43.4	-44.4
Niger	25,233	2,712	25,477	2,876	10,088	1,067	-60.4	-62.9
Laos	11,436	1,245	11,116	1,073	9,717	910	-12.6	-15.2
Sri Lanka	7,760	878	6,910	842	9,606	1,154	39.0	37.0
Germany	7,517	1,281	9,520	1,563	9,224	1,523	-3.1	-2.6
China	8,646	746	6,535	676	7,980	750	22.1	11.0
United Kingdom	5,403	647	6,771	703	7,487	690	10.6	-1.8
United Arab Emirates	10,652	769	9,688	717	7,448	589	-23.1	-17.9
Nigeria	4,286	519	5,835	626	7,015	775	20.2	23.7
Korea South	5,644	1,446	8,770	1,942	6,197	1,433	-29.3	-26.2
Other	100,181	10,118	87,049	9,539	71,986	8,170	-17.3	-14.3
World	364,900	41,376	397,240	47,284	347,514	40,404	-12.5	-14.5

Source: Department of Customs

Table 12: Thailand's Imports of Cotton Fabric (Calendar Year: January - December)

	2012		2013		2014		% Change	
	,000 US\$	Metric Ton	,000 US\$	Metric Ton	,000 US\$	Metric Ton	,000 US\$	Metric Ton
China	155,525	34,213	137,536	30,268	124,827	22,223	-9.2	-26.6
India	18,403	2,372	9,818	1,560	11,462	1,766	16.7	13.2
Japan	8,748	958	7,109	766	6,554	686	-7.8	-10.4
Indonesia	4,282	631	4,619	580	5,049	529	9.3	-8.7
Italy	3,217	62	4,273	92	4,522	87	5.8	-5.6
Taiwan	4,683	222	3,226	175	2,947	153	-8.7	-12.4
Pakistan	2,555	587	2,554	583	2,426	611	-5.0	4.8
Hong Kong	3,268	306	2,618	215	1,968	185	-24.8	-13.9
Turkey	1,732	73	1,614	70	1,601	89	-0.8	28.1
Korea South	1,005	94	1,056	81	1,211	58	14.6	-28.1
United Kingdom	894	70	905	32	874	40	-3.4	24.3
Germany	810	29	739	45	722	32	-2.4	-29.1
Vietnam	10	1	211	34	668	83	217.1	144.2
Austria	793	21	393	12	543	19	38.1	66.4
Malaysia	92	4	532	23	443	21	-16.7	-5.1
Other	2,979	232	2,761	287	3,229	264	16.9	-8.0
World	208,996	39,875	179,965	34,821	169,046	26,847	-6.1	-22.9

Source: Department of Customs

Table 13: Tariffs for Cotton and Textile Products

	Current calculated tariff for non-AFTA countries (% Ad Valorem)	Current tariff applied for AFTA countries under CFPT scheme ^{1/} (% Ad Valorem)	Tariff Schedule Commitment with WTO (% Ad Valorem)
Raw cotton	0	0	4.5
Cotton yarn	5	0	15.0
Cotton fabric	5	0	30.0
Chemical used in textile	5	0	30.0
Textile machinery	1	0	20.0

1/ CFPT = Common Effective Preferential Tariff, an agreed effective tariff, preferential to ASEAN countries, to be applied to goods originating from ASEAN Member States and which have been identified for inclusion in the CFPT Scheme.

Source: Department of Customs

End of report

